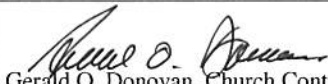


## Financial Standard

Subject <b>Investments</b>		Number <b>15XX</b>
Prior Revision Date n/a	Current Revision Date January 7, 2013	 Gerald O. Donovan, Church Controller

### 1. PURPOSE

- 1.1. This financial standard provides guidance for accounting and reporting of investments. (Refer to Financial Standard 1700 for investments in affiliates.)

### 2. DEFINITIONS

- 2.1. The Financial Standards Glossary can be accessed via this link.  
<https://frdteams.ldschurch.org/frc/Documents/Financial%20Standards%20Glossary.pdf>

### 3. STANDARDS

*Person/Group  
Responsible*

- 3.1. The expenditure of investment portfolio funds comes under the purview of the Council on the Disposition of the Tithes. The council comprises the First Presidency, the Quorum of the Twelve Apostles, and the Presiding Bishopric. An executive committee of this council, the Investment Policy Committee, has stewardship of the investment portfolio and is responsible for the allocation of the investment portfolio.

*Investment  
Policy  
Committee*

- 3.2. All costs necessary to prepare an asset for its intended use, including commissions and fees paid to acquire the investment, are included in the initial cost recorded in the general ledger.

*Controller*

#### 3.3. Unique to Investment Properties

- 3.3.1. Pre-acquisition costs, including internal costs, are capitalized if the following conditions are met:

*Controller*

3.3.1.1. Costs are directly identifiable with the specific property.

3.3.1.2. Costs would be capitalized if the property were already acquired.

3.3.1.3. Acquisition of the property is probable.

- 3.3.2. Selling costs are capitalized as project costs when they meet both of the following conditions:

*Controller*

3.3.2.1. The costs are reasonably expected to be recovered from the sale of the project or incidental operations, and

3.3.2.2. The costs are incurred for

- Tangible assets that are used directly throughout the selling period to aid in the sale of the project, such as model units and furnishings, sales facilities, and semi-permanent signs, or
- Services that have been performed to obtain regulatory approval of sales, such as legal fees.

3.3.3. If substantially all development activities are suspended, other than brief interruptions, capitalization of carrying costs ceases until activities are resumed.

*Controller*

3.3.4. The capitalization period ends when the asset is substantially complete and ready for its intended use. Indications of substantial completion include the following:

*Controller*

3.3.4.1. The entity is no longer incurring costs to develop the project.

3.3.4.2. The project is complete physically.

3.3.4.3. The legal documents, such as a certificate of completion, have been issued.

3.3.4.4. For operating properties, tenant improvements have been completed, but not to exceed one year from the cessation of major construction.

3.3.5. When a change in the intended use of a project occurs, development and construction costs are expensed to the extent that costs incurred cease to add future value to the project.

3.3.6. An assessment of impairment is made in each reporting period at least annually. If impairment exists, a separate assessment of whether the impairment is other-than-temporary is required and, if so, an appropriate adjustment is made to the general ledger.

#### 3.4. Unique to Securities

3.4.1. Purchased securities are initially measured at acquisition cost. Donated securities are initially measured at fair value.

*Controller*

3.4.2. Measurements made subsequent to the purchase date are at fair value.

*Controller*

- |          |  |                   |
|----------|--|-------------------|
| 3.4.3.   | Cash and cash equivalents of permanent endowment funds held temporarily until suitable long-term investment opportunities are identified, or held temporarily by a custodian for investment purposes, may be included as part of investments in a statement of financial position rather than cash.                              | <i>Controller</i> |
| 3.4.4.   | When the transferor of a repurchase agreement is deemed to have maintained effective control over the financial assets transferred, the transaction is accounted for as a secured borrowing rather than as a sale.   | <i>Controller</i> |
| 3.4.5.   | A reverse repurchase agreement is accounted for as a secured lending.  | <i>Controller</i> |
| 3.4.6.   | Securities are valued using independent, quoted market prices whenever available. Large price changes should be reviewed for accuracy.   | <i>Controller</i> |
| 3.4.7.   | Sales of securities that the seller does not own at the time of sale are obligations to deliver securities, not investments.   | <i>Controller</i> |
| 3.4.8.   | For each period for which a statement of activities is presented, the following are disclosed on the face of the financial statements or in the notes:   | <i>Controller</i> |
| 3.4.8.1. | The aggregate carrying amount of investments by major types (e.g., equity securities, corporate debt securities, real estate).   |                   |
| 3.4.8.2. | The aggregate carrying amount of investments and liabilities by a three-level valuation hierarchy based on valuation techniques. <ul style="list-style-type: none"> <li>• Level 1—Quoted prices in active markets</li> <li>• Level 2—Significant observable inputs</li> <li>• Level 3—Significant unobservable inputs</li> </ul> |                   |
| 3.4.8.3. | For Level 3 investments and liabilities, a reconciliation of the beginning and ending balances.  |                   |
| 3.4.8.4. | The basis for determining the carrying amount for investments other than equity securities with readily determinable fair values and all debt securities.  |                   |
| 3.4.8.5. | The methods and significant assumptions used to estimate the fair values of investments other than financial instruments, if those other investments are reported at fair value.   |                   |
| 3.4.8.6. | The aggregate amount of the deficiencies for all donor-restricted endowment funds for which the fair value of the assets at the reporting date is less than the level required by donor stipulations or law.   |                   |

- 3.4.9. For the most recent period for which a statement of financial position is presented, the nature and carrying amount for every individual investment or group of investments that represents a significant concentration of market risk, such as risks that result from the nature of the investments or from a lack of diversity of industry, currency, or geographic location should be disclosed.

#### 4. REFERENCES

- 4.1. FASB ASC 360, Property, Plant, and Equipment
- 4.2. FASB ASC 820, Fair Value Measurements and Disclosures
- 4.3. FASB ASC 860, Transfers and Servicing
- 4.4. FASB ASC 958-320, Not-for-Profit Entities—Debt & Equity Investments
- 4.5. FASB ASC 970 Real Estate—General
- 4.6. Global Investment Endowment Policy dated December 2, 2010
- 4.7. “Investment Policies and Guidelines for the Investment Securities Portfolio”
- 4.8. Financial Standard 1700 “Investment and Equity in Affiliates”

#### 5. EXHIBITS

*(none)*